



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Order 96-10-18

Served: October 17, 1996

Issued by the Department of Transportation
on the 10th day of October, 1996

Essential air service at

**FORT LEONARD WOOD,
MISSOURI**

under 49 U.S.C. 4173 *let seq.*

**Dockets OST-96-1167
45399**

**ORDER SELECTING CARRIER
AND SETTING FINAL SUBSIDY RATE**

Summary

By this order the Department selects Trans States Airlines, Inc., d/b/a Trans World Express (Trans States), to provide subsidized essential air service at Fort Leonard Wood, Missouri, through April 30, 1998, at the annual subsidy rate of \$164,667¹.

Background

Trans States has provided subsidized air service at Fort Leonard Wood for a number of years. It was last selected for a two-year period to provide three round trips each weekday and two round trips over the weekend to St. Louis with 19-seat Jetstream aircraft at an annual subsidy rate of \$293,184. On November 27, 1995, by Order 95-11-28, the Department implemented program-wide reductions in essential air service subsidy rates and service levels for all non-Alaskan subsidized essential air service communities, in response to a reduced program appropriation enacted by Congress for fiscal year 1996. That appropriation of \$22.6 million represents a one-third reduction from the previous year's appropriation of \$33.4 million. In this case, the Department reduced Trans States' subsidy to \$196,606 a year to provide a total of ten nonstop round trips each week to St. Louis. That rate expired on April 30, 1996.²

On February 5, 1996, Trans States filed a 90-day notice of its intent to suspend its subsidized air service at Fort Leonard Wood effective May 5, 1996. By Order 96-4-8, April 4, 1996, the Department solicited proposals, with subsidy requests if necessary, from carriers interested in providing replacement essential air service.³ We received a timely-filed subsidy proposal from Lone Star Airlines and negotiations were held. Well into the negotiation process Trans

¹ See Appendix A for a map.

² By Order 96-6-37, we extended Trans States' subsidy rate until further Department action.

³ In accordance with 49 U.S.C. 41734(c), we have extended Trans States' service obligation for successive 30-day periods as necessary. We last extended Trans States' service requirement through October 3, 1996.

States informed the Department that it was withdrawing its notice to suspend service and submitted a proposal to continue providing subsidized service at Fort Leonard Wood. Because Trans States' proposal was filed well past the due date for proposals and it had had the opportunity to review its competitor's proposal before filing its own, we resolicited proposals in the interest of protecting the confidentiality of each carrier's submissions until all proposals were filed.⁴ Subsidy proposals were subsequently filed by Lone Star and Trans States.

Carrier Proposals

Lone Star has agreed to provide Fort Leonard Wood with ten nonstop round trips each week to St. Louis with 19-seat Metro 23 aircraft, at an annual subsidy rate of \$224,795. In its filing Lone Star stated that it would also provide two additional nonstop round trips a week to St. Louis, and that it would also afford Fort Leonard Wood direct, multi-stop service to Dallas/Ft. Worth joining its Fort Leonard Wood flight itinerary to its existing Mountain Home-Harrison-Hot Springs-Dallas route. The carrier and community understand, however, that the Department could neither subsidize nor require more than ten round trips to the community's EAS hub. Thus, the carrier would not be under any obligation to institute or maintain such service, or to maintain service beyond the immediate EAS market, Fort Leonard Wood-St. Louis.

Trans States submitted a proposal to provide ten nonstop round trips each week between Fort Leonard Wood and St. Louis with 19-seat Jetstream aircraft at an annual subsidy rate of \$164,667. It would likewise provide an additional round trip a week to St. Louis, as it is currently doing. As we stated above, however, service in excess of ten round trips per week is not compensable and the carrier would not be under any obligation to provide such service.

Community Comments

Colonel David Fagan, U.S. Army Garrison Commander at Fort Leonard Wood, responded to our letter to the State and Fort Leonard Wood indicating the community's preference for Lone Star. He stated on the community's behalf that, although the subsidy cost is higher, Lone Star has proposed to provide Fort Leonard Wood with expanded service--multi-stop service to Dallas/Ft. Worth and weekend service to St. Louis. He also stated that Trans States has had service problems concerning its scheduling, canceled flights, fares, aircraft weight restrictions, and baggage handling.

⁴ Order 96-6-37.

Colonel Fagan noted that over the next several years the Army Chemical and Military Police Schools will be moving from Fort McClellan, Alabama, to Fort Leonard Wood and that a \$200 million construction program will begin early next year to accommodate the moves. Further, Fort Leonard Wood is working on a joint agreement with the nearby city of Waynesville to upgrade Fort Leonard Wood's airfield to a joint-use, regional airport. In light of the above, the community anticipates an increase in military and non-military traffic and asserts that additional air service is essential to the community's growth.

Carrier Selection

We have carefully reviewed the carriers' proposals, community comments, and the carriers' recent service histories, and have decided to reselect Trans States to serve Fort Leonard Wood at the annual subsidy rate of \$164,667.⁵ Both carriers have proposed service that is consistent with the maximum level of service that we are currently able to subsidize, ten round trips a week. However, Trans States' subsidy need is significantly lower than Lone Star's and, notwithstanding the community's comments, we do not find the balance of other considerations compelling enough to offset the subsidy difference.

We are concerned about the community's observations on Trans State's service and have discussed the problem areas with Trans States and the community. It should be noted that not all of the problems cited by the community are within the carrier's control, particularly those involving the amount of scheduled service and aircraft weight restrictions.

First, Trans States' scheduling capability is directly affected by the program limitation of ten round trips a week that resulted from the Department's reduced FY 1996 EAS appropriation. To address this problem, Trans States has made several schedule time changes based on the community's recommendations and has included a Saturday morning flight to St. Louis, to be effective on October 27. This additional flight along with its current Sunday flight will give Fort Leonard Wood two weekend round trips over and above the service we are subsidizing.

Second, Trans States informed us that its aircraft weight restrictions are attributable to a lack of fuel availability on the base, which in turn requires the carrier to fuel its aircraft at St. Louis for the entirety of each round trip. The consequence is that on some occasions individuals or baggage cannot be accommodated. This problem would, of course, affect any carrier that served Fort Leonard Wood. The carrier states that it has discussed this issue with military base officials and is hopeful that it will be corrected soon.

To some extent, correcting the latter problem should also reduce the incidence of flight cancellations. We note in this respect, however, that Trans States' records for the last six months show that it has completed an average of 96 percent of its scheduled EAS flights at Fort Leonard Wood, which is a clearly acceptable level of performance.

The community's two remaining concerns deal with fares and baggage handling. Trans States asserts that because of its code-share affiliation with Trans World Airlines it already offers

⁵ Appendix B contains details of Trans States' compensation requirements.

Fort Leonard Wood reasonable joint fares to destinations beyond St. Louis. It has also announced the introduction of significantly lower local fares, including a \$49 one-way military fare--an 80 percent savings over the current one-way fare, which should be in place in the very near future.

Finally, as we noted above, contingent on the correction of Trans States' ability to secure fuel on the military base, the carrier will be able to carry a full complement of baggage and passengers between Fort Leonard Wood and St. Louis. In addition, the carrier states that it already has in place an extensive lost-bag tracking system and will handle any future lost-bag incidents as quickly as possible.

On October 7, we contacted Mrs. Pat Ray, Chief of the Transportation Division at Fort Leonard Wood, who has served as a spokesperson for the community on essential air service issues, to discuss Trans States' response to their concerns. She reiterated that the community's preference in this case is for the selection of Lone Star, but she confirmed that Trans States has approached the community with a positive attitude and has committed to a more pro-active working relationship. We concur that Trans States' actions and commitments appear to be a positive response to the community's concerns.

Trans States is an experienced carrier and has provided reliable service over the years. It has contractual and marketing arrangements with three major airlines and operates as a Northwest Airlink, USAir Express, and, in the Fort Leonard Wood-St. Louis market, a Trans World Express code-share carrier. Its code-share affiliation is a statutorily-mandated carrier selection criterion that we must consider.

Trans States' rate appears reasonable for the service to be provided, and its service is consistent with the level of service we are able to subsidize under our FY 1997 appropriation. Based on those findings and the considerations discussed above, we will select Trans States to serve Fort Leonard Wood at the subsidy rate of \$164,667 a year through April 30, 1998. However, in view of the service-related issues raised by the community, we direct the Department staff to continue to monitor the carrier's performance at Fort Leonard Wood and to submit a progress report to us in six months.

Carrier Fitness

49 U.S.C. 41738 requires that we find an air carrier fit, willing and able to provide service before we may compensate it for essential air service. Trans States has operated successfully as a Trans World Express, Northwest Airlink, and USAir Express code-share carrier for several years. The carrier's fitness was fully reviewed in Order 94-4-29, April 18, 1994, in conjunction with its selection to provide scheduled passenger service to Cape Girardeau, and was last reviewed when we recently reselected it to provide subsidized essential air service for another two years at that community (Order 96-8-31). Trans States remains subject to the Department's continuing fitness monitoring, and we have found no information that would lead us to believe that the carrier has failed to meet the continuing fitness requirement. The Federal Aviation Administration has advised us that the carrier is conducting its operations in

accordance with Part 135, and knows of no reason why we should not find that Trans States remains fit.⁶

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. We select Trans States Airlines, Inc., d/b/a Trans World Express, to provide essential air service at Fort Leonard Wood, Missouri, effective October 1, 1996, through April 30, 1998;
2. The Department sets the final rate of compensation for Trans States Airlines, Inc., for the provision of essential air service at Fort Leonard Wood, Missouri, effective October 1, 1996, through April 30, 1998, at \$164,667 per year, as described in Appendix C, payable as follows: for calendar months during which essential air service is provided, the amount of compensation shall be subject to a ceiling per week of \$3,235.20, and shall be determined by multiplying the subsidy-eligible departures and arrivals operated during the month, assuming a 19-seat Jetstream aircraft, by \$161.76 per departure;
3. The rate established in ordering paragraph 2 above is in lieu of, and not in addition to, the rate established by Order 96-6-37;
4. If the Government completely terminates all payments for service at Fort Leonard Wood provided for under this order because of the insufficiency of appropriated funds, then, at the end of the period for which the Government does make payments, the carrier may cease to provide service to Fort Leonard Wood without regard to any requirement for notice of such cessation. Only total cessation of payments due to insufficient appropriated funds shall trigger this provision; adjustments in the level of subsidy payments do not constitute a total cessation of payment;
5. We find that Trans States Airlines, Inc., d/b/a Trans World Express, continues to be fit, willing, and able to operate as a commuter air carrier and is capable of providing reliable air service at Fort Leonard Wood, Missouri;
6. We direct Trans States Airlines, Inc., d/b/a Trans World Express, to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order; and

⁶ Trans States' transition date for conducting its Jetstream operations under Part 121 is scheduled for October 1, 1996.

7. We will serve a copy of this order on the Commanding Officer of the U.S. Army Engineer Center and Fort Leonard Wood, the Missouri Highway and Transportation Department, the Governor of Missouri, Lone Star Airlines, and Trans States Airlines.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

Appendix C
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ESSENTIAL AIR SERVICE TO BE MAINTAINED
BY TRANS STATES AIRLINES
AT FORT LEONARD WOOD, MISSOURI

Effective Date: October 1, 1996, through April 30, 1998.

Minimum Frequency: Ten nonstop round trips each week to St. Louis,
Missouri, (119 nonstop miles).

Aircraft Type: Jetstream 31 or 32 (19 passenger seats)

Timing of Flights: Essential air service flights must be well-timed and well-spaced in order to ensure full compensation.

Annual Compensation: \$164,667

Subsidy Rate Per Arrival at or
Departure from Fort Leonard Wood: \$161.76 1/

Weekly Compensation Ceiling: 2/

\$3,235.20 3/

1/ \$164,667 annual subsidy divided by 1018 annual arrivals from and departures to St. Louis, calculated as follows:

Four departures to hub or arrivals from hub five days per week: $4 \times 261 \text{ days} \times 97.5\%$ completion.

2/ Weeks that fall into separate calendar months will be considered part of the later month for the purpose of calculating the monthly compensation.

3/ Ten departures to St. Louis and ten arrivals from St. Louis each week : $20 \times 161.76 =$
\$3,235.20

NOTE

Trans States Airlines, Inc., d/b/a Trans World Express, is hereby put on notice that it may forfeit its compensation for any flights that it does not operate in full conformance with the terms and stipulations of this order, including the service plan outlined above and any other significant elements of the required service, without prior approval. It is hereby informed that an aircraft take-off and landing at its scheduled destination constitutes a completed flight, and that, absent an explanation supporting subsidy-eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are eligible for compensation. In addition, the carrier may jeopardize its entire subsidy claim for the period in question if, for a significant period of time, it does not schedule or operate its flights in full conformance with this order. In addition, should circumstances warrant, the Department may also locate and select a replacement carrier to provide service on the route. If the carrier contemplates any changes beyond the scope of this order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Carriers must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated.